



U.S. WHEAT EXPORT MARKET DEVELOPMENT

Thinking globally, acting locally



It is tempting, but inaccurate, to look at wheat trade as one big global market. The U.S. exports nearly half of the wheat it produces, and for the last half century American wheat farmers have led the way in committing time and money to develop export markets in dozens of countries. But

nothing is static. As countries evolve and markets mature, the U.S. wheat industry must continually strive to meet the new and increasingly challenging needs of importers.

Market development must evolve, along with markets, if wheat exports are to remain a viable option for America's farmers. With 18 offices around the world, staffed by 86 employees from 21 different countries, U.S. Wheat Associates (USW) has the expertise to think globally and the knowledge to act locally.

changes IN MARKETS MEANS NEW BUYERS

Fifty years ago, even 20 years ago, much of the exportable wheat was sold to government buyers in huge sales. Today, only a few government buyers remain, and even they are starting to liberalize their markets and allow more and more private purchases. USW works with the new buyers, teaching them the intricacies of the U.S. marketing and transportation system. We show them how to write a contract with specifications for wheat qualities that will best serve their needs. We demonstrate the wheat qualities that will make their breads and other food products attractive to consumers, especially in countries with an emerging middle class. And we work with private humanitarian organizations that still need U.S. wheat food aid for development and emergency feeding programs.

changes IN THE COMPETITION PRESENT NEW OPPORTUNITIES

Of the 112 MMT of wheat traded worldwide in 2005/06, half was exported by either the U.S. or by the monopoly

wheat sellers in Australia and Canada. This year brought the best initial prospects for eventually dismantling the monopolies. In Canada, a new Prime Minister was elected on the platform of providing Canadian wheat farmers with a choice in who they can sell their wheat to. In Australia, a major scandal unfolded when it was shown that AWB — the Australian Wheat Board — paid at least \$220 million in kickbacks to Saddam Hussein's regime.

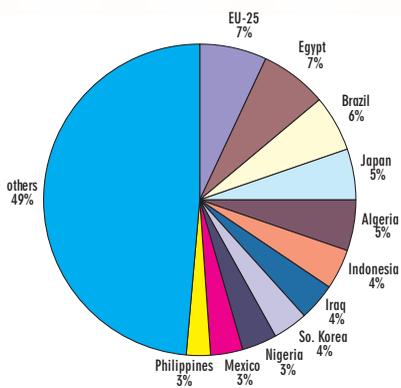
changes IN ECONOMIC STANDARDS DEMAND NEW CONVENIENCE WHEAT FOODS

The middle class is stressed, and not just in the United States. In developing countries from China to Mexico, families are moving to urban centers and find themselves looking for foods that are more economical and convenient, which are opportunities for new wheat foods. Using the expertise gained by working with local industries around the globe, USW is spreading the knowledge needed for new products to introduce pizza to the Chinese and Asian noodles to the Mexicans, for instance. It is our own contribution to the healthy aspects of globalization.

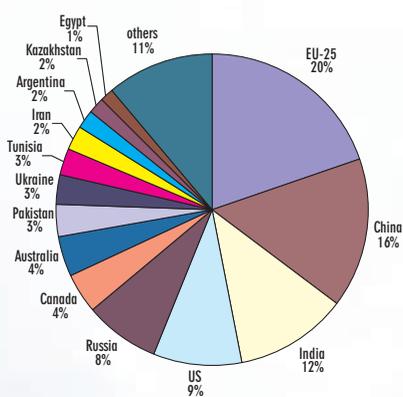
changes IN INTERNATIONAL VIEWS OF AMERICA PRESENT A CHALLENGE TO U.S. PRODUCTS

It is no secret that the world is lately casting a more critical eye at the U.S. The Pew Research Center found in a recent poll of Muslim countries that the percentage of Indonesians with a favorable view of the U.S. dropped from 38 percent to 30 percent this year. Less than a third of the people in Egypt, Pakistan, Jordan and Turkey had a favorable view of the U.S. It is against this backdrop that USW promotes American wheat. The secret is knowing that mothers the world over want the best food for their families and children. So USW enthusiastically promotes the "American Quality Wheat" logo program, giving moms confidence in the products and providing millers and bakers with the opportunity to earn a premium for using U.S. wheat. ■

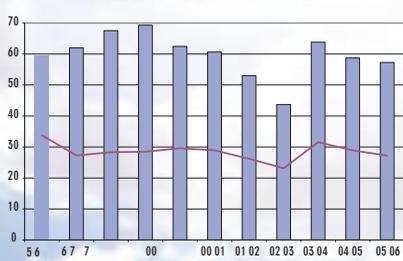
WORLD WHEAT IMPORTERS 2005/06



WORLD WHEAT PRODUCTION 2005/06



U.S. WHEAT PRODUCTION AND EXPORTS



TOTAL EXPORTS BY WHEAT CLASS (in thousand metric tons)

	2004/05	2005/06	% change
Total wheat exports	26,572	25,320	- 5
Hard Red Winter	9,550	10,644	11
Soft Red Winter	3,251	2,053	- 37
Hard Red Spring	8,205	7,395	-10
White	4,869	4,287	-12
Durum	698	941	35

Top Export Customers for 2005/06 (in million metric tons)

Nigeria	3.04
Japan	2.97
Mexico	2.56
Iraq	2.34
Philippines	1.68
EU-25	1.48
Egypt	1.18
Korea	1.14
Venezuela	1.09

Nigeria IS WORLD LEADER IN U.S. WHEAT IMPORTS

USW opened a full-time office in Lagos six years ago, planning for a growth market. But U.S. wheat sales to Nigeria are outpacing even the most optimistic goals. Nigeria's booming milling industry was the biggest U.S. wheat customer this year, overtaking traditional leaders Japan and Egypt and importing 3.04 MMT of U.S. wheat.

USW has made a strong effort to develop this market, and the benefits show now that the U.S. has captured over 90 percent market share. Training millers, advising buyers, helping bakers and pasta makers — USW assistance is valued and appreciated by the Nigerian industry.

U.S. and Japan CELEBRATE 50 YEARS OF WHEAT COLLABORATION

In a ceremony this spring in Tokyo, attended by over 200 guests, the U.S. wheat industry thanked loyal Japanese friends and customers for half a century of trust, friendship, and mutually beneficial business relations. April marks fifty years since the U.S. wheat marketing office was opened in Japan.

"I hope that our work here has brought some benefits to Japan," USW chairman Boyd Schwieder told the assembled guests. "I know that the early efforts, working together on the kitchen buses and demonstrations, were projects from the heart. Our work, together, to introduce bread in the Japanese school lunch program is still looked on with pride in the U.S. These were groundbreaking programs back then, which provided inspiration for programs elsewhere in Asia and beyond."

Japan's Agriculture Director General recalled the early beginnings, from Japan's perspective. "In those days, wheat products such as breads or confectionery items were not a part of Japanese dietary life. In the early days, projects like the kitchen bus, school lunch, and bread baking technical seminars contributed greatly to the Japanese wheat food promotion," he told the Americans. "We appreciate your diligent support to the Japanese wheat food industry during the long years."

Japan is a top U.S. wheat customer, purchasing 2.97 MMT in 2005/06.

Mexico IS A GREAT NEIGHBOR FOR WHEAT FARMERS

Mexico was the third largest wheat buyer this year, importing 2.56 MMT. The U.S. continues to enjoy a majority market share in Mexico because of the logistical advantage offered by rail between these two countries. The signing of NAFTA and the expansion of trade between Mexico and the U.S., coupled with the global

escalation of ocean freight rates, has led to a significant expansion in rail shipments of U.S. grain to Mexico over the last five years, as U.S. wheat exports via rail have grown from 18% of U.S. wheat sales to Mexico to an estimated 53%.

Mexico's population growth, rising incomes, and political reforms will continue to favor trade and economic growth. That isn't to say that there won't be challenges to U.S. wheat sales in the future. USW will especially be monitoring a potential free trade agreement between Mexico and Mercosur, Mexican farm programs designed to increase the domestic production of wheat, and the adoption of the Cartagena Protocol on Biosafety.

Record WHEAT SALES TO IRAQ

Saddam Hussein banned U.S. wheat in his final years as dictator. After his fall, USW immediately started working with USDA, with U.S. grain companies and with the Iraqis, pursuing options to restart U.S. wheat exports to Iraq. USW brought the Iraqi buyers to the U.S. and sponsored several meetings overseas, advising them on the benefits of the U.S. wheat market system.

That work is paying off now for U.S. wheat producers. This year Iraq purchased 2.34 MMT of U.S. wheat. That is Iraq's highest level of U.S. wheat imports, ever. The most wheat that Iraq previously imported from the U.S. within one marketing year was 1.17 MMT in 1983/84.

Iraq cuts off AWB sales

The U.S. garnered up to a half of the Iraq market share in the 1970s and 80s, but Australia commanded the lion's share of Iraqi wheat business during the last years of the scandal-ridden UN Oil for Food program. Subsequent investigations by the UN and by the Australian government have shown why Australian wheat was so "popular": AWB, the Australian wheat monopoly, provided the largest amount of kickbacks to Saddam's regime under the Oil for Food Programme.

After seeing the evidence of bribes and kickbacks that AWB paid to Saddam's agents, the Iraqis took a bold step earlier this year and announced that they will not accept wheat offers from the AWB. They will consider non-AWB Aussie wheat, but that has caused a shake up Down Under, as the AWB has veto power over any other exports of Australian wheat.

USW fully expects to continue competing against Aussie wheat in Iraq. Hopefully, with AWB out of the picture, the competition will be fair. ■

ASIA

Introducing new products will raise consumption



The U.S. wheat industry celebrated the 50-year anniversary since the first Tokyo office was opened and American wheat producers supported efforts to introduce bread to the school children of Japan. The U.S. has collaborated with milling, baking and noodle industries in Japan, Korea and Taiwan for all of the decades since, advancing to the highest level of wheat variety testing and evaluation.

But while wheat consumption showed steady growth for many decades, increasingly replacing rice in north Asian meals, consumption has leveled off or dropped in several important markets. To significantly improve exports, consumption will need to grow.

► USW's Pansy Lam and USW baking consultant Heinz Fischer worked with the Sino-American Baking School and Agricultural Trade Office, demonstrating pizzas, fancy cookies and cakes at the All-China Baking Industry Association annual exhibition. The booth was the most active at the show, as bakers and consumers learned more about products made with flour from U.S. wheat.

In China, per capita consumption for the urban areas is very low, about 55 pounds per person, which is well below the national averages in most industrialized countries. Because industry officials expect China's domestic consumption to remain flat, at 100 MMT a year until 2010, the country will likely be able to cover any domestic production deficits with current stocks.

USW's China offices, under the direction of regional vice president Matt Weimar, are working with nearly three dozen organizations and companies to find new products that use American wheat. USW is assisting Chinese food manufacturers to develop technical and promotional support systems so that the mills can promote their U.S. wheat-based product to flour users and to consumers.

Wheat foods are not trending well in Korea. Per capita flour consumption in 2005 was about 78 pounds, which was a decrease of 3.9 pounds from 2004. There is some potential to turn that around, however, as pizza and other

► A promotion campaign by USW and the milling industry in the Philippines is starting with "MABUHAY TINAPAY" ("Welcome Bread").



new wheat-based snack items are expected to boost future wheat consumption. Pasta is also an area that has considerable potential if Korean pasta producers are allowed to compete with subsidized Italian pasta.

Another potential growth area for Korean wheat foods may be the development of "functional qualities" directed at consumers looking for more healthful choices. USW country director Won Bang Koh is working with the South Dakota Wheat Commission to promote "selenium wheat" (Se-wheat) as helpful in the prevention of cancer and senility. South Dakota's Se-wheat contains relatively high selenium levels (minimum 30 ppm), and Korean mills tested the wheat samples in December, with a further shipment of samples scheduled for June 2006.



Wheat food consumption in Taiwan has been growing slowly but steadily in the last six years, at an estimated rate of nearly 1% annually. Per capita consumption of wheat products is now estimated at slightly more than 79 pounds. Wheat-based food consumption should continue to grow because of the popularity of new bakery products, thanks to USW work in cooperation with the Chinese Grain Products Research and Development Institute. Under the direction of USW country director Ron Lu, this year USW and CGPRDI, in cooperation with the Taipei Bakers Association, produced one of the region's most successful baking contests in their continuing effort to encourage Taiwan bakers to develop new products.

One of the objectives of USW's newly implemented "American Quality Wheat" logo program in the Philippines is to increase wheat consumption. Due largely to poor consumer purchasing power, per capita wheat consumption in the Philippines has been flat over the last three years and, in fact, declined in 2005 to only 52.5 pounds (from over 57 pounds in previous years.) Prices of flour and wheat-based products have increased over the last couple of years, and consumers have shifted from wheat-based products back to rice. With the surplus milling capacity in the Philippines and limited per capita

[continued page 4]

MIDDLE EAST AND NORTH AFRICA promoting American reliability and value

U.S. Wheat Associates

continues to provide technical information and guidance to the buyers throughout the Middle East and North Africa. But with television screens and newspapers throughout the Muslim countries filled with negative reports on the Iraq war and other negative coverage of “things American,” USW had to make special efforts to dispel misconceptions and rebut conspiracy theories that were multiplying throughout the region.

The USW staff in Cairo intensively pursued a frank dialogue with the Egyptian media, capping ongoing efforts with a full day seminar to discuss wheat trading. Batting down rumors and combating the mistaken impression that the U.S. was using foreign policy to force Egyptian wheat purchases, regional vice president Dick Prior and his able staff made sure that the press understood that wheat is bought commercially by GASC (as opposed to being donations or subsidies); that America is not dictating to Egypt what they must buy, that Egypt’s decisions are price- and quality-driven, and that decisions are their free choice; that USW is not a department of USAID; and (amazingly enough!)



► The USW office in Cairo held a series of direct marketing events with business partners and their products, in shopping malls throughout Cairo, providing demonstrations, samples, prizes, recipes, nutritional information and promotional materials about products that use flour made from American wheat. Consumers are able to see (and taste) for themselves that U.S. wheat makes the best products.



► The American Quality Wheat logo program promotes the image and value of U.S. wheat. USW was a sponsor of the Egyptian Chefs Association biggest annual culinary competition, which provided positive media coverage and promoted U.S. wheat to Egypt’s top chefs.

that the U.S. Government does not fix wheat prices. The efforts made a difference, and articles are now more factual and less negative — which is important to bakers who want to advertise that they are using American wheat in their products.

The USW Middle East office introduced the “American Quality Wheat” logo program into Yemen and Uganda in 2005. Now millers and bakers in these two countries can create a “brand image” for themselves as consumers gain confidence in U.S. wheat. Ultimately, the price premium received for American Quality flour will permit the wheat importer to pay a higher price for U.S. wheat and maintain his profit margins.

Opening the Libyan market has been a challenge, but that doesn’t mean that USW has stopped trying. Quite the opposite. While U.S. citizens still face an uphill (and mostly unsuccessful) battle to get permission to travel to Libya, USW/Tunis marketing specialist Salah Mahjoub was able to represent the U.S. grain sector at this year’s Tripoli trade fair — the first at which U.S. interests were represented in recent time. His visits with Libyan officials, built on top of strengthening professional relationships, were successful. Following on from last year’s training sessions given to managers at

George Galasso, has started to pay off, especially for U.S. durum. The FTA was implemented in January 2006, and the beneficial import duty structure resulted in 104 thousand metric tons (TMT) of



► USW joined USDA and USAID in proudly displaying the red, white, and blue at Morocco’s first International Agricultural Fair. Mina El Hachimi, USW’s North Africa program manager, staffed the USW display where participants could get information about U.S. wheat before heading over to an exuberant discussion of the new U.S.-Morocco Free Trade Agreement.

hard amber durum #1 (HAD) sales under preferential terms during this marketing year. To put it into perspective, the U.S. exported a total 125 TMT of durum to Morocco over the past five years.

U.S. durum sales to Algeria have increased every year since 2001 in spite of serious setbacks, such as a false positive finding for Karnal bunt in December 2004. USW stepped up efforts this year to highlight durum’s competitiveness, providing a major Algerian buyer with milling consultation, extensive technical trade servicing and invitations to conferences and seminars, resulting in a six-month HAD supply contract. ■

[ASIA – continued from page 3]



consumption growth, flour mills are beginning to feel the pinch. USW, led by assistant regional director Mike Spier, is working with the Philippine flour milling associations on an extensive consumer promotional campaign that educates consumers of the nutritional benefits of wheat-based products.

The subcontinent has not imported U.S. wheat for several years. Finally, after three years of invitations from USW, the Government of Pakistan appointed three representatives to visit the U.S. to learn more about our production and exporting. The delegation indicated that Pakistan will need to import wheat during the next crop year and wanted to investigate how to construct contract specifications that would ensure offers from U.S. exporters.

Attempting to open the projected 5 MMT Indian import market to U.S. wheat, USW regional vice president Mark Samson and vice president Jim Frahm have been working in cooperation with the USDA Foreign Agricultural Service to force changes in India’s contract specifications. The U.S. — and others — believe that India’s rigid contract specifications are based on ill-conceived and out-of-treaty phytosanitary standards. USW sat down with the milling industry and government agency officials in India to explain the positions of APHIS, FGIS and the exporting community. ■

Europe

Responding to regulatory changes

For much of the year, USW has been working alongside USDA to respond to new Karnal bunt and mycotoxin testing procedures in the European Union.

The EU has mandated a limit on the mycotoxin DON of 1.25 ppm for milling wheat and 1.75 ppm for durum, with enforcement to begin on July 1, 2006. Additionally, after exchanging letters with USDA concerning U.S. quarantine procedures for KB, the EU has increased testing of U.S. vessels for the disease.

In advance of the DON deadline, USW worked diligently to minimize the impact of the new regulation on U.S. wheat exports. Ever since the changes were announced, USW has engaged U.S. exporters; EU importers; millers, national grain producer, trader and miller associations; national food safety agencies; and USDA agencies (FAS, APHIS and FGIS), in discussions on the regulation. Effectively, there is still much uncertainty in Europe about how the directive will be implemented, on both the national and international trade levels, and no national plans have been determined. USW continues engage in

discussions at all levels, assisting in the coordination of stakeholders and providing information on sampling and testing issues and market developments. USW has provided recommendations for action, some of which facilitated a June 2006 USDA mission to Spain, Holland, the UK and Italy.

The EU completed a pest risk analysis (PRA) on Karnal bunt in March 2006 which concludes that “there is a risk of establishment and significant socioeconomic impact.” It further states that “measures aimed at exclusion... seem economically justified.” Just before the analysis was published, the UK moved to require that their U.S. wheat imports be sampled for KB spores. If spores are found to resemble KB, they are subjected to molecular analysis which can delay expedition of the cargo by as much as two weeks. One confirmed spore is all that is necessary to reject the cargo. USW has discussed the issue with EU contacts, exploring possible recourse, and is working with APHIS on possible responses. USW supported a June 2006 letter from APHIS challenging the science and recommendations contained in the PRA. ■

Sub-Sahara Africa

Helping a continent as they take the initiative

When Americans hear about Africa, it is mostly about famine or AIDS or warring factions. But USW’s work throughout the vast continent shows that the story is bigger than that. Africa is also about hope and initiative and success.

The biggest success story, perhaps in the history of U.S. wheat market development, is Nigeria. For the first time, Nigeria was the number one customer for U.S. wheat in



2005/06, importing 3.04 MMT, a 20 percent increase over sales last year. The U.S. wheat industry and Nigerian millers basically started

from scratch after Nigeria’s 1986-1992 wheat import ban was lifted.

This spring, the wheat commissions of Kansas, Texas, Nebraska, Oklahoma, and Colorado recognized the exceptional achievement of the various members of the Nigerian milling industry in attaining the #1 position for imports of HRW for the last five years. The participants were presented with plaques with the inscription: *“In recognition of your outstanding support of the American wheat farmer and assistance in helping to build bridges of friendship between the U.S. wheat industry and the Nigerian wheat milling industry. We appreciate your efforts.”*

The Nigerian millers, like hundreds of others throughout Africa, want and appreciate opportunities to gain expertise in their chosen craft. Ever since 9/11, however, travelers to the U.S. encounter continuing problems in obtaining visas for travel, which blocks their ability to attend milling courses offered by the

International Grains Program at Kansas State University. So USW arranged for the first English-language short milling course to be held at the Moroccan Milling Industry Training Institute (IFIM), providing training to sixteen Nigerians. They were able to learn more about milling techniques and equipment, and how to achieve the best qualitative and quantitative output through proper adjustment and control. In addition, the participants carried out the checks and analyses necessary for checking wheat and flour quality against set standards and specifications.

Other African countries need more direct help to overcome hunger and poverty, and the U.S. donated 1.1 MMT of U.S. wheat to Sub-Saharan countries, nearly three-quarters of all the wheat donated by U.S. food aid programs. In Ghana, for instance, 39 TMT of wheat was donated through USAID’s Food for Peace program. The program gives U.S. wheat to humanitarian groups who sell it to local millers and use the funds to support humanitarian projects. USW assists by working with the groups to ensure that wheat specifications are appropriate for Ghana’s products. The goal was to reduce food insecurity in ten vulnerable farm districts in Ghana by 2009. Despite the tremendous good that U.S. wheat has generated in rural farm communities in Ghana, however, USAID announced this year that it is ending the program. ■



► The Nigerians in the front row, and U.S. Wheat Associates staff standing behind them, are an apt characterization of USW support for the people on the front lines of an emerging — and increasingly vibrant — industry.



Latin America

Dynamic industry growth fueled by technical training and creative thinking

“**Dynamic**” and “**robust**” aptly describe the milling and baking industries in more and more countries of Latin America. Price wars among mills and fierce competition between food companies accompany the growing economies, and appropriate technical advice and development can mean the difference between success and failure. The USW offices in Mexico City and Santiago keep track of the industries’ day-to-day battle for market share and provide the support and training, featuring the value of U.S. wheat that will lead to increased U.S. sales.

Seeing is believing. So USW has put together seminars and baking tests in South America to demonstrate that flour blends produce value for bread makers. In May, nearly 300 bakers and millers attended USW technical seminars sponsored by Ecuador’s milling association, where they learned bread-making techniques that will give them great results when they use flour made with a blend of U.S. hard red spring and soft white wheat.



Wheat blending for flour is also important in Chile, where millers are using the “wheat blending calculator” that was developed by USW’s North Africa Regional Technical Director Peter Lloyd. Using spreadsheets to compare blends of any six U.S. wheat classes, millers can evaluate the price and performance indicators against flour specifications for different end products. USW kept Chilean buyers regularly informed about prices and qualities of U.S. wheat, and exports rose dramatically, to 200 TMT this year, compared to less than 10,000 tons in 2004/05.

Of course, working with wheat blends requires access to the different wheat classes, and Central American countries were limited by their historical reliance on Gulf ports. So USW helped introduce new transportation options to Central America. In May 2005, USW shipping and transportation consultants Al Rudge and Arne Martinsen traveled with regional vice president Mitch Skalicky to Guatemala and El Salvador to work with

major buyers who were looking to purchase competitively priced, high quality U.S. wheat with lower dockage than they were getting. After several days of meetings, where all the parties analyzed shipping options for U.S. wheat — considering vessel size, port infrastructure and engineering — they arrived at some unconventional alternatives. By increasing the size of vessels, and considering the viability of time charters and combo cargoes, shipping out of U.S. Pacific coast ports began to look viable. Following up with a USW Wheat Quality Workshop and a trial shipment did the trick, and some buyers changed their loading port from the Gulf to Portland. Central American millers purchased more than 400,000 tons of U.S. wheat from the PNW since September 2005, contributing to the five percent total increase of U.S. wheat exports to the region this year.

Other projects also demonstrate the importance of technical training and support:

- ▶ Latin American consumers have discovered the convenience of instant noodles, and USW advised the emerging noodle industry through training programs at the Wheat Marketing Center and by technical assistance visits to their installations, particularly in Central America. Wheat representatives from the PNW and from technical programs in Kansas are providing advice to noodle companies that have market growth in Guatemala and Mexico.
- ▶ Colombia was hesitant to buy U.S. durum, arguing that U.S. durum produced a darker pasta than Canadian. USW donated a sample of U.S. durum to a large pasta producer and sent milling consultant Eli Posner to work with the company. He showed them how to adjust the tempering for the drier U.S. durum, with the result that buyers agreed that U.S. durum works as well or better than Canadian.
- ▶ USW also brought representatives from the major cookie/cracker companies in Peru, Colombia and Chile to the U.S. this spring, so they could learn more about soft wheat, both white and red. Seminars at the Wheat Marketing Center and at the American Institute of Baking covered functions of ingredients in cookie/cracker products, dough rheology, physical dough testing equipment, and processing techniques. ■



FINANCIALS

USDA “Cooperates” with Producers to Maximize Funding

U.S. Wheat Associates is a “cooperator” with the U.S. Department of Agriculture, which means that the organization works with the support of USDA’s Foreign Agricultural Service to create, expand and maintain overseas markets for wheat grown in the U.S. USW presents an annual marketing strategy and demonstrates state wheat commission support in order to qualify for federal funds, leveraging each dollar of producer financial support into more funding from various USDA market development programs. This year, \$2.83 was committed by USDA for every \$1.00 from producer funds; a match that allows USW to spend over \$15,000,000 in foreign market development.

STATEMENT OF ACTIVITIES

	As Of June 30, 2006 UNAUDITED	As Of June 30, 2005 AUDITED
REVENUE AND SUPPORT		
Government Grants	11,178,777	10,923,890
Membership Dues	3,956,156	3,932,938
State-funded Special Projects	139,960	131,498
Interest and Investment Income	108,177	69,449
Total Revenue and Support	15,383,070	15,057,775
EXPENDITURES		
Program Services	11,252,683	11,074,585
General Operations	3,657,290	3,749,785
Board Expense	88,728	90,835
Foreign Teams Expense	27,656	13,216
Total Expenditures	15,026,357	14,928,421
Change in Net Assets	356,713	129,354
Net Assets, Beginning of Year	2,505,263	2,375,909
Net Assets, End of Year	2,861,976	2,505,263

STATEMENT OF FINANCIAL POSITION

	As Of June 30, 2006 UNAUDITED	As Of June 30, 2005 AUDITED
ASSETS		
Cash and Cash Equivalents	914,018	932,783
Government Grants Receivable	1,062,867	1,103,686
Accounts Receivable	423,949	168,466
Prepaid Expenses	61,143	41,181
Deposits	27,023	17,345
Advances to Field Offices	1,035,999	1,067,496
Deferred Compensation Investments	227,768	230,540
Board Designated Investments	1,246,502	1,140,765
Custodial Accounts	51,787	51,787
Property and Equipment, Net	121,510	115,511
Total Assets	5,172,566	4,869,560
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	153,727	331,702
Deferred Rent Obligation	43,968	43,968
Deferred Revenue	125,038	22,571
Government Advances	1,708,303	1,683,729
Deferred Compensation Payable	227,767	230,540
Obligation for Custodial Accounts	51,787	51,787
Total Liabilities	2,310,590	2,364,297
Undesignated Net Assets	1,490,436	1,323,547
Board Designated Net Assets	1,246,502	1,140,765
Total Unrestricted	2,736,938	2,464,312
Temporarily Restricted Net Assets	125,038	40,951
Total Net Assets	2,861,976	2,505,263
Total Liabilities and Net Assets	5,172,566	4,869,560

Overseas Operations

USDA support accounted for 74% of USW’s FY2006 revenue. USW received the following budget allocations from four USDA programs for fiscal year 2006: Foreign Market Development Program: \$5,955,491; Market Access Program: \$4,822,497; Section 108 Program (PL480): \$505,470; and Quality Sample Program: \$421,800. The total from USDA is thus \$11,705,258, almost all of which is expended by USW’s 16 foreign offices directly for overseas market development.

Domestic Operations

After USW develops a domestic budget, member states are assessed dues based on their wheat production over five years, minus the highest and lowest years. The total revenue from membership dues for FY2006, which ended June 30, was \$3,956,156, which is less than 1/4 of a penny per bushel of wheat produced in USW’s member states. USW also received \$139,960 in Special Project income and earned \$108,177 in investment income. In general, producer funds support USW’s two domestic offices — the headquarters in Washington, D.C. and the West coast office in Portland, Oregon. In FY2006, USW expended \$3,847,580 for domestic activities, thus ending the fiscal year with a surplus of \$356,713 (unaudited).

Special Projects

In addition, USW received commitments for special project funding from wheat commissions in several member states: Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Texas and Washington. This year’s special projects included funding for the Latin American Buyers Conference, a hard red winter crop quality survey, travel to Kansas for senior milling executives from Nigeria and a special cracker short course for South American participants. The total funding committed for special projects in FY2006 was \$177,245.

By accessing as much funding as possible from a variety of sources and sound fiscal management of those funds, U.S. Wheat is carrying out its responsibility to maximize markets on behalf of the U.S. wheat producer. ■

Total producer support	\$4,133,401
USDA support	\$11,705,258
Total USW funding	\$15,838,659
USDA match of producer dollar	\$2.83



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**2005/06 USW OFFICERS
CLOCKWISE FROM TOP LEFT:**

Chairman Boyd Schwieder
Vice Chairman Leonard Schock
Secretary-Treasurer Ron Suppes
Past Chairman Keith Kisling
President Alan Tracy

USW BOARD OF DIRECTORS

Arizona Grain Research and Promotion Council

Michael Edgar

Arkansas Wheat Promotion Board

Barry Walls

California Wheat Commission

Michael Scriven

Colorado Wheat Administrative Committee

Terry Swanson
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Maryland Grain Producers Utilization Board

Jim Saathoff

Minnesota Wheat Research and Promotion Council

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Montana Wheat and Barley Committee

Daniel DeBuff
Leonard Schock

Nebraska Wheat Board

Pat Nelson
Chuck Tines

North Dakota Wheat Commission

Harlan Klein
Fran Leiphon

Oklahoma Wheat Commission

Tom Glazier
Keith Kisling
Tom Stephens

Oregon Wheat Commission

Tom Duyck
Mac Kerns

South Dakota Wheat Commission

Steve Halverson
Gregg Krebsbach

Texas Wheat Producers Board

Cagle Kendrick
Gary Murphy

Virginia Small Grains Board

David Taliaferro

Washington Wheat Commission

Randy Suess
Jay Takemura

Wyoming Wheat Marketing Commission

Boyd Yeik